

## Request for City Council Action

Date: June 10, 2002

To: Council Member Lisa Goodman, Community Development Committee  
Council Member Barbara Johnson, Ways and Means/Budget Committee

Prepared by Beverly A. Wilson, Planner III, Phone 612-673-5030

Presented by Dollie Crowther, Senior Housing Project Coordinator, Phone 612-673-5263

Approved by Chuck Lutz, MCDA Interim Executive Director \_\_\_\_\_

**Subject: Modification No. 1 to the Grant Park (formerly the Towers at Elliot Park) Tax Increment Finance Plan**

**Previous Directives:** Not Applicable.

**Ward:** 7

**Neighborhood Group Notification:** Elliot Park Neighborhood, Inc.

**Consistency with *Building a City That Works*:** Not Applicable.

**Comprehensive Plan Compliance:** Not Applicable.

**Zoning Code Compliance:** Not Applicable.

**Impact on MCDA Budget:** (Check those that apply) Not Applicable.

- ☐ No financial impact
- ☐ Action requires an appropriation increase to the MCDA Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

**Living Wage / Business Subsidy:** Not Applicable.

**Job Linkage:** Not Applicable.

**Affirmative Action Compliance:** Not Applicable.

**RECOMMENDATION:**

**City Council Recommendation:** The Interim Executive Director recommends that the City Council Community Development Committee schedule a public hearing to be held on June 24, 2002 for a Modification to the Grant Park (formerly the Towers at Elliot Park) Tax Increment Finance Plan; and it is recommended that the Ways and Means/Budget Committee review the proposed Modification and submits its comments at the Community Development Committee public hearing scheduled for Monday, June 24, 2002.

**Background/Supporting Information**

The purpose of the Modification is to update various sections of the TIF plan to reflect the most current information available regarding the proposed development in the TIF district and the use of tax increment financing for public project costs. Since the "Towers at Elliot Park" TIF Plan was initially approved on June 9, 2002, the proposed development has changed in terms of name, size, scope and financing method. The project was recently renamed Grant Park by the developers, and as such, this TIF plan has been renamed accordingly.

The Minneapolis Community Development Agency has prepared the proposed Modification and transmitted it to interested parties for review and comment on May 23, 2002. Comments have been requested and are due at the Agency by June 24, 2002.

It is requested that the Community Development Committee schedule a public hearing on the proposed Modification, to be held by the Community Development Committee on Monday, June 24, 2002, at 1:30 p.m. Final Council and MCDA Board Action will be held on Friday, July 12, 2002.

It is requested that the Ways and Means/Budget Committee review the proposed Modification and submit its comments at the public hearing to be held by the Community Development Committee on Monday, June 24, 2002.

**MINNEAPOLIS COMMUNITY  
DEVELOPMENT AGENCY**

**Modification No. 1  
to the  
  
Grant Park  
(formerly The Towers at Elliot Park)  
Tax Increment Finance Plan**

**Initial TIF Plan Approved June 9, 2000  
Dated: May 10, 2002**

Prepared by: Project Planning and Finance Department  
Minneapolis Community Development Agency  
105 - 5th Avenue South, Suite 200  
Minneapolis, Minnesota 55401

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## **Introduction**

The purpose of this modification is to update various sections of this TIF plan to reflect the most current information available regarding the proposed development in the TIF district and the use of tax increment financing for public project costs. Since the "Towers at Elliot Park" TIF Plan was initially approved on June 9, 2002, the proposed development has changed in terms of name, size, scope and financing method. The project was recently renamed Grant Park by the developers, and as such, this TIF plan has been renamed accordingly. See Section III (Development Program) below for a detailed description of the project.

### **I. Tax Increment District Boundary ~ *No Change***

### **II. Statement of Objectives ~ *No Change***

### **III. Development Program**

#### **A. Description of Development Program ~ *Changed***

Since approval of the TIF district in June of 2000, Apex Asset Management Corporation and Opus Northwest, LLC (the Developers) have partnered on the project. In addition to providing equity/debt to the project, Opus will serve as general contractor and lead architect. Elliot Park Associates LLC, a subsidiary of Apex, has acquired all of the property in the 3+ acre TIF district. All buildings have been demolished and much of the pollution remediation has been completed. Additional remediation may be needed once new construction has commenced.

The Developers have renamed the new project "Grant Park". The proposed project will encompass 328 units of home ownership units along with adjacent parking. Building 1 will be a 27-story Condominium Tower consisting of 289 units. Units will range in size from 746-1,937 sq. ft.. Prices for these units will range from \$139,900-\$445,510. It is currently projected that the Tower will be ready for occupancy in the spring of 2004.

Building 2 will be a three-story structure consisting of flats on the first level with two-story townhomes above. A total of 30 units will be contained in this building and will be known as the "City Homes". The size of these units will range from 1,006-2,838 sq. ft. and sales prices will range from \$207,900-499,900. It is currently projected that the City Homes will be ready for occupancy in the winter of 2003.

Building 3 will encompass nine townhomes (2-1/2 story units) ranging in size from 2,668-3,001 sq. ft.. Sales prices for these units will range from

\$493,580-\$525,175. Individual private parking will be provided for each of these units. It is currently projected that the townhomes will be ready for occupancy in the summer of 2004.

Parking for the Tower residents, City Home residents, and visitors will be provided in a 513 stall above-grade parking ramp. Each unit in the Tower and City Homes comes with one parking stall. Additional stalls may be purchased in the ramp for approximately \$15,000. Additionally, 18 underground heated stalls will be made available under the Tower for \$25,000 per single stall and \$35,000 per tandem stall.

Total development cost of the Grant Park project is estimated at over \$106,000,000. Tax increment financing assistance of up to \$7,300,000 may be provided to assist with costs associated with land acquisition/site improvements and construction of parking for the project.

**B. List of Property That May Be Acquired ~ *Changed***

No property will be acquired by the City of Minneapolis or Minneapolis Community Development Agency for this project.

**C. Development Activity for Which Contracts Have Been Signed ~ *Changed***

As of the date of this Modification, the Minneapolis Community Development Agency has not yet entered into any redevelopment contracts related to activities associated with this project. It is anticipated that a redevelopment contract will be executed with a development entity to be created by Apex Asset Management Corporation and Opus Northwest, LLC in the summer of 2002.

**D. Other Development Activity ~ *No Change***

**IV. Description of Financing**

The figures, sources and methods of financing identified in this tax increment finance plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of the financing, or result in an increase in the public project costs or bonded indebtedness of this project above the amounts listed herein, a modification to this plan may be necessary. Such a modification would require the same approval process as the original approval of this tax increment finance plan. The actual commitment to pay

public project costs for this proposed development will be contained in the redevelopment contract not this TIF Plan. The TIF plan establishes a permissive rather than proscriptive ceiling on public expenditures.

A. Public Project Costs ~ *Changed*

This following TIF budget identifies the maximum public assistance that may be provided to this project through the use of tax increment. To the extent that tax increment revenues will not be sufficient to pay public project costs, other public sources may be sought and utilized.

<u>Tax Increment Budget</u>		
	<u>Up-Front</u>	<u>Over Time</u>
Sources		
Par Amount of Notes/Bonds	\$10,000,000	---
Tax Increment	---	\$35,000,000
Capitalized Interest	---	<u>2,200,000</u>
Total Sources	\$10,000,000	\$37,200,000
Uses		
Land Acquisition	\$2,000,000	---
Parking Structures	5,300,000	---
Capitalized Interest	2,200,000	---
Note/Bond Discount	400,000	---
Note/Bond Costs of Issuance	100,000	---
Note/Bond Principal	---	\$10,000,000
Note/Bond Interest	---	14,950,000
Affordable Housing	---	8,750,000
Administration	---	<u>3,500,000</u>
Total Uses	\$10,000,000	\$37,200,000

B. Bonded Indebtedness To Be Incurred ~ *Changed*

It is currently anticipated that up to \$10,000,000 in tax increment revenue notes or bonds will be issued by the Agency to provide up-front funding for eligible costs as shown in the tax increment budget above. Such notes or bonds would be considered "indebtedness" of the Agency, and can not be issued prior to approval of this modification.

The original TIF plan, which was approved on June 9, 2000, did authorize the issuance of pay-as-you-go financing for the TIF district in a principal amount not to exceed \$7,303,980. Any outstanding pay-as-you-go TIF notes (considered "contractual" obligations) would be refinanced with the issuance



of the tax increment revenue notes or bonds described above. At the time this modification was prepared, no pay-as-you-go TIF notes had yet been issued by the Agency for this project.

C. Sources of Revenue ~ *Changed*

Sources of revenue anticipated to pay for total project costs of the Grant Park development include private financing, equity investment, and NRP grant funds. In addition to the sources identified in this TIF plan, other sources of funds available to pay public project costs may include federal, state or local public funds, or other sources not yet identified.

D. Original Net Tax Capacity ~ *Changed*

The assessor's original estimated market value (EMV) of all parcels in the TIF district was \$1,784,000 (assessment year 2001/collection year 2002). The original net tax capacity of the TIF district, as certified by Hennepin County on April 12, 2002, is currently \$32,370. As development occurs and property in the TIF district is reclassified to residential homestead property (class 1a), the original net tax capacity of the TIF district will be adjusted downward by Hennepin County to approximately \$18,528.

E. Estimated Captured Net Tax Capacity ~ *Changed*

Upon project completion, it is projected that the total EMV of the TIF district will increase to approximately \$92,863,545, with a combined net tax capacity of approximately \$928,635. At that time, it is projected that the captured net tax capacity of the TIF district will be approximately \$910,107.

F. Duration of TIF District ~ *Changed*

The district is currently classified as a redevelopment TIF district. The maximum duration of the TIF district is therefore currently 26 years of tax increment collection. It is anticipated that all eligible costs specified in the TIF budget will be paid sooner; however, the Agency reserves the right to allow the district to remain in existence its maximum duration.

G. Fiscal Disparities Election ~ *No Change*

H. Original Tax Capacity Rate ~ *Changed*

The original tax capacity rate of the TIF district, as certified by Hennepin County on April 12, 2002, is 147.6630% .

I. LGA/HACA Penalty Exemption ~ *Deleted*

J. Affordable Housing & Expenditures Outside TIF District ~ *Added*

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.173, Subd. 2, paragraph (d), which states that such expenditures must:

- (1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);
- (2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and
- (3) be used to:
  - (i) acquire and prepare the site of the housing;
  - (ii) acquire, construct, or rehabilitate the housing; or
  - (iii) make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or project area, but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to M.S. Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenses are considered expenditures outside of the district.

Pursuant to the provisions, requirements and restrictions noted above, the Agency elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district. It currently anticipates that up to 10% of the increment collected from the district (over its lifetime) may be used for administrative purposes, and up to 25% of the increment collected from the district (over its lifetime) will be used for affordable housing purposes.

**V. Type of Tax Increment Financing District ~ *No Change***

## **VI. Estimated Impact on Other Taxing Jurisdictions ~ *Changed***

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the redevelopment of the property included in this TIF district would not occur as proposed without tax increment financing assistance.

Nevertheless, if it has been assumed for the purpose of this section that the proposed development would occur without such assistance and that the estimated captured tax capacity generated by the development would be immediately available to the applicable taxing jurisdictions. In this hypothetical case, the estimated annual impact on the applicable taxing jurisdictions would be as follows:

<u>Taxing Jurisdiction</u>	<u>Tax Capacity Rate Payable 2002</u>	<u>Property Taxes Resulting From \$910,107 in Captured NTC</u>
City of Minneapolis	59.054%	\$537,454
Hennepin County	44.748	407,255
Special School District #1	32.961	299,980
Others	<u>10.900</u>	<u>99,202</u>
Totals	147.663%	\$1,343,892

## **VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance ~ *No Change***

## **VIII. Prior Planned Improvements ~ *No Change***

## **IX. Modifications to Tax Increment Finance Plans ~ *No Change***